



Endless ways to the future

# Q1 2021 Results

May 13, 2021

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# TODAY'S SPEAKERS



**Massimo Mauri**  
*CEO*



**Lorenzo Mazzini**  
*CFO*



**Marco Parisi**  
*Head of Investor Relations*

# SECO AT A GLANCE

## A GLOBAL LEADER IN THE IoT SPACE

 Listed on Borsa Italiana  
**MTA-STAR**

 **450+**  
People

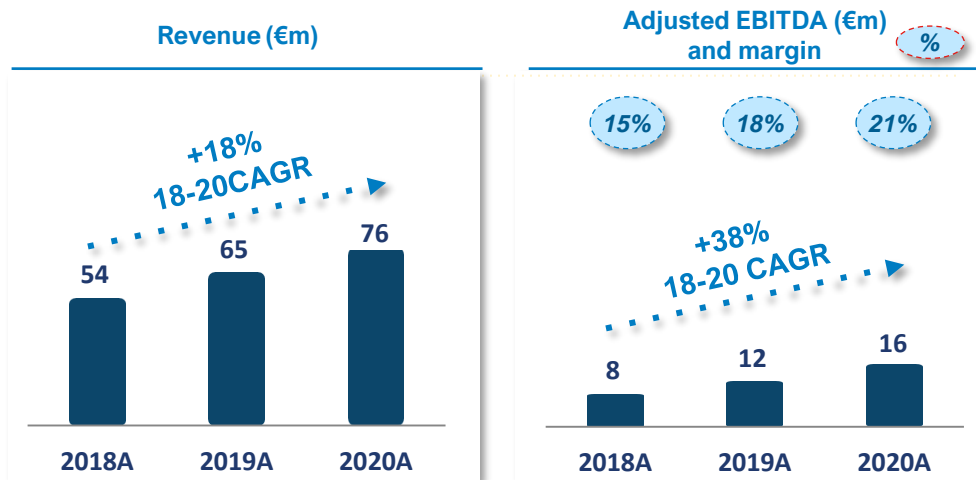
 **5 R&D centers**

 **3 production centers**

 Direct Presence in  
**9 countries**

 **Worldwide Distribution**

### Historical financials and M&A



5 strategic deals closed since 2018 to expand capabilities and geographical presence

### Product offering

Edge computing boards & systems



*Off-the-shelf*



*Semi-custom*



*Full custom*

IoT software



*End-to-end software solution*  
(cloud, data orchestration, data analytics, AI)

# Q1 2021 HIGHLIGHTS

## +10%

Total Revenues<sup>1</sup> growth

**€20.2m in Q1 2021** (vs. €18.4m in Q1 2020)

- CLEA already generating ~€0.5m software revenue
- EMEA, USA and APAC markets all growing in absolute terms

## +48% ↑

Order backlog increase  
(April 2021 vs April 2020)

## +10%

Gross margin growth

**€9.8m in Q1 2021** (vs. €9.0m in Q1 2020)

- **50.6% in Q1 2021, vs. 49.1% in Q1 2020**
- Benefits from CLEA deployment and related NRE<sup>2</sup> activities
- Custom edge systems increasing in absolute value terms vs. Q1 2020

## +40%

Adj. EBITDA growth

**€4.6m in Q1 2021** (vs. €3.3m in Q1 2020)

- **23.7% in Q1 2021, vs. 18.0% in Q1 2020**
- Significant operating leverage effect driving profitability upwards
- Payroll cost increase mainly related to management team and R&D department new hires

<sup>1</sup> Revenue from sales and other operating income

<sup>2</sup> NRE = Non-Recurring Engineering

# KEY TAKEAWAYS FROM 2021 YTD

- ▶ **SECO best in class player** reporting higher growth than industry peers
- ▶ **Growing and highly profitable business** despite Covid pandemic, strongly driven by the digitalization macro-trend
- ▶ **CLEA launch well received** by existing and new customers
- ▶ **Book/bill ratio and pipeline continuously increasing**
- ▶ Design wins + long-term relationships with Tier 1 clients ensuring **strong revenue visibility**
- ▶ **World-class companies** trusting SECO to give life to win-win partnerships (e.g. Microsoft, Olivetti), thus further accelerating the top-line growth
- ▶ Well defined **M&A strategy supported** by IPO ~€100m capital increase

# TOTAL REVENUES

€20.2m

Q1 2021

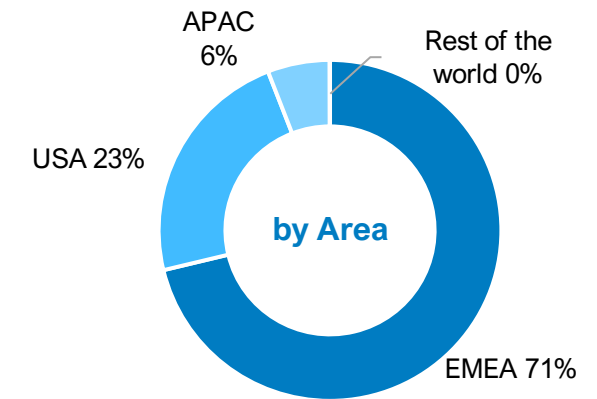
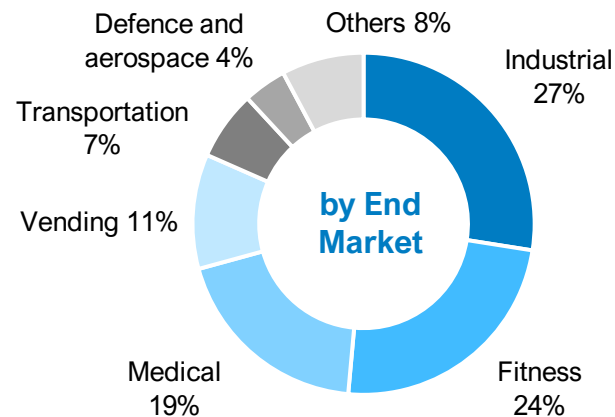
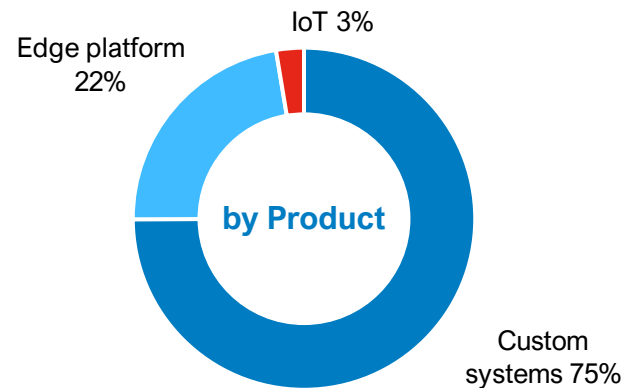
+€1.8m

Q1 2021 vs. Q1 2020

~€0.5m

generated by CLEA in Q1 2021

Revenue from sales breakdown (Q1 2021)



- **Good performance in Covid-impacted Q1 2021**, vs. Q1 2020 mainly unaffected by the pandemic
- Impact of **CLEA roll-out** visible in Q1 2021 (already ~€0.5m software revenue generated in the period)
- Growth strongly driven by **anti-cyclical nature of the business**: recovery in **Industrial, Fitness, Transportation**; good and stable performance in the **Medical** sector
- EMEA, USA and APAC markets **all growing in absolute terms**

# GROSS MARGIN

€9.8m

Q1 2021

+€0.9m

Q1 2021 vs. Q1 2020

9.8%

% growth vs. Q1 2020

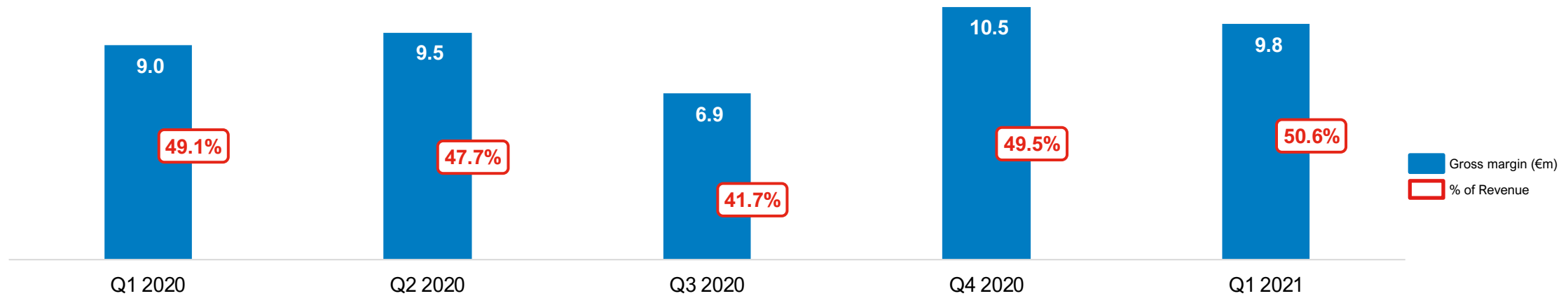
50.6%

of Q1 2021 Revenue

+150bps

Δ incidence on revenue  
vs. Q1 2020

*Gross margin by quarter (€m and %)*



- **Highest-performing quarter** in terms of incidence on revenue, substantially in line with last quarter of 2020 in euro terms
- **CLEA's roll-out** starting to show positive impact in terms of margin from recurring revenue, and NREs from platform customization
- Gross margin positively impacted by **custom edge systems** revenue increasing in absolute value terms vs. Q1 2020, with an average price per unit higher than standard edge platforms



# ADJUSTED EBITDA

€4.6m

Q1 2021

+€1.3m

Q1 2021 vs. Q1 2020

39.9%

% growth vs. Q1 2020

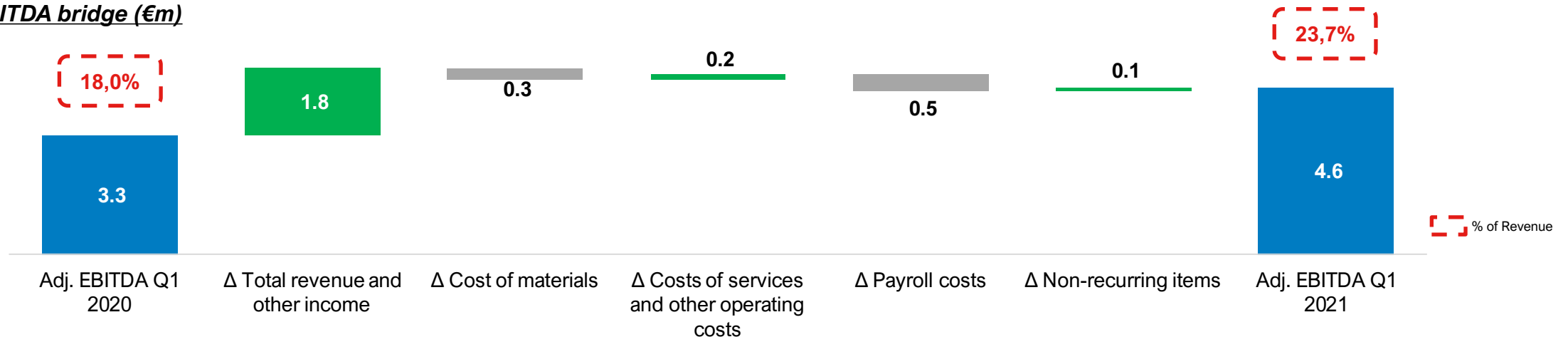
23.7%

of Revenue

+~570bps

Δ incidence on revenue  
vs. Q1 2020

*EBITDA bridge (€m)*



- **Business growth** significantly contributing to **operating leverage**, further enhanced by a tight cost control on OPEX
- Payroll cost increase mainly related to **management team and R&D department strengthening** in Q2-Q4 2020
- Adjustments mainly related to the present value of the stock option plan 2020 assigned to some managers, M&A transaction costs (€312k), compensated by foreign exchange gains (€237k)

# NET DEBT POSITION

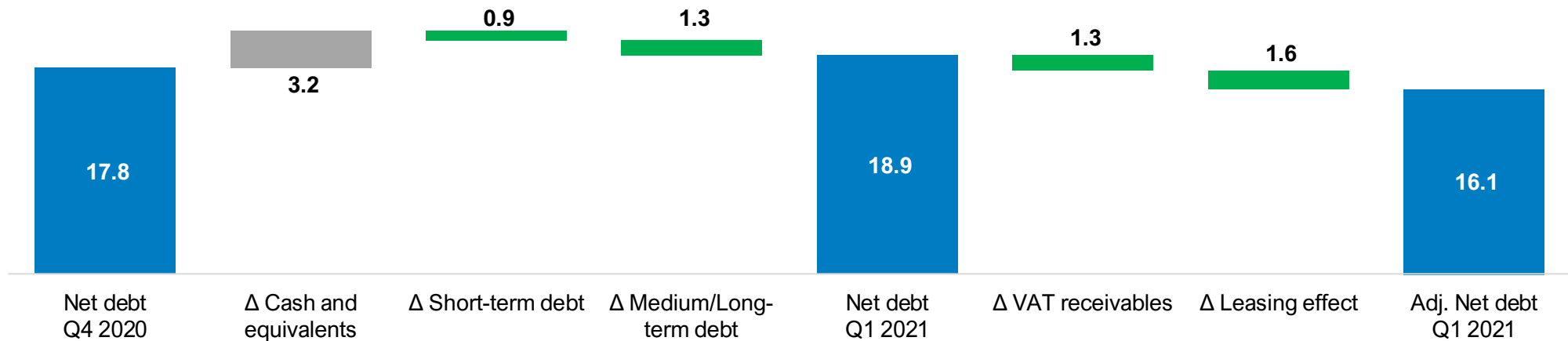
**0.9x**

Adj. NFP / LTM Adj. EBITDA in Q1  
2021

**+0.2x**

vs. Q4 2020

*NFP bridge (€m)*



- Adj. NFP/Adj. EBITDA<sup>1</sup> ratio slightly increased from Q4 2020
- Cash absorption mainly related to increase in inventory and lower amount of trade receivables cashed in via non-recourse sale (pro-soluto)
- VAT receivables can be cashed in the days following the end of each quarter
- Net debt position not including ~€100m IPO proceeds

<sup>1</sup> Q1 2021 Net Debt/ EBITDA ratio computed taking into consideration reported last 12 months ending 31 March 2021

# STRONG BACKLOG GROWTH

€22.6m

April 2020



€33.6m

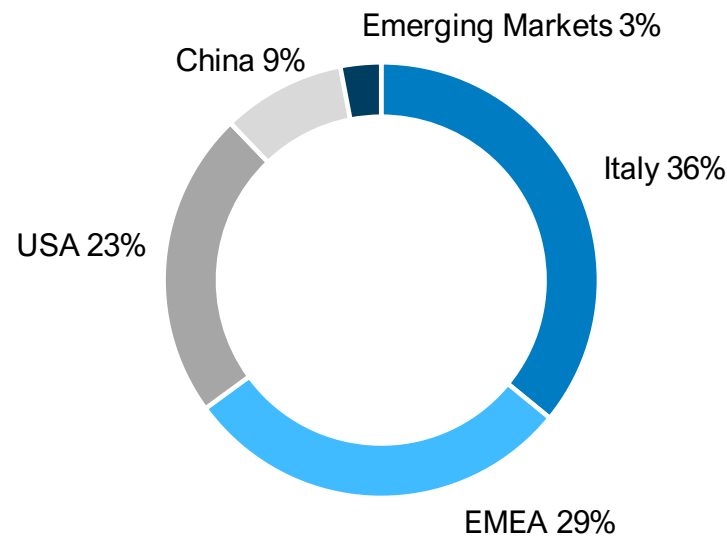
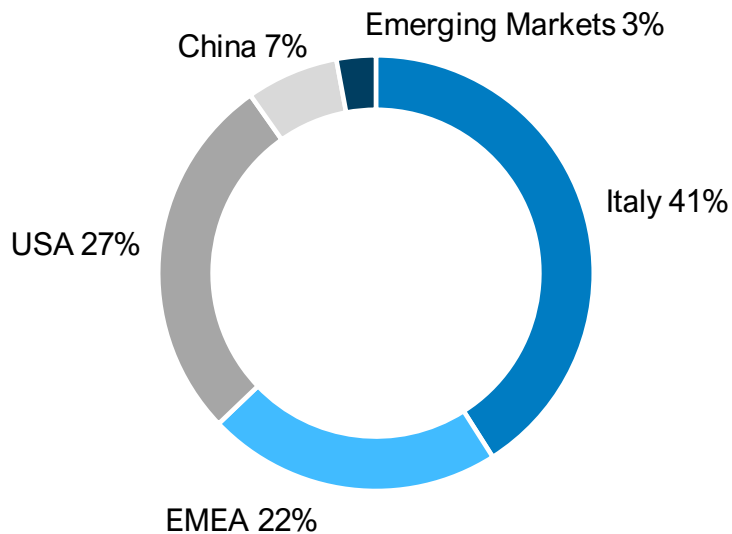
April 2021

+48% ↑

Order backlog increase

~4 months

Order backlog coverage



## April '21 vs. April '20 % growth

*Italy*

+30%

*EMEA*

+97%

*USA*

+24%

*China*

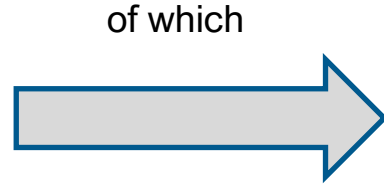
+97%

*Emerging Markets*

+53%

# STRONG PIPELINE OF NEW DESIGN WINS AND PROJECTS

**57**  
Projects currently under management



*by Product type*

**44 vs. 13**  
Standard vs. Custom

*by Development phase*

**38 vs. 19**  
Prototype vs. Pre-Series

Strong potential to develop a highly diversified set of new products

# TIM GROUP'S INTEREST IN SECO

Today

*TIM Group in  
SECO's IPO*

**7.5m**  
Shares subscribed

**7.0%**  
of SECO's Share Capital post-IPO

## Possible macro-areas of collaboration



Leverage SECO's and Olivetti technology and existing customer base (TAM as a multiple of SECO's current customer base)



Joint development of highly innovative IoT Solutions for the digitalization of Italian SMEs



Improve product offering with Smart City Solutions



Access to 5G network and connectivity



Increased network and customer relationships

Next  
steps<sup>1</sup>

## SECO's preliminary ideas on partnership pillars

Joint development of hardware + software solutions for **several possible verticals**, based on

- CLEA integration into an innovative multi-layer, multi-use platform under development by Olivetti
- Customizations for **large accounts/projects**
- Dedicated CLEA-based solutions for small clients

Smart cities

Digital payments

Merchant

Industrial

and more...

<sup>1</sup> To be agreed and defined in detail into a formal partnership agreement to be signed by Olivetti and SECO.

# CLOSING REMARKS

**Strong and solid organic growth**

(good revenue visibility, increasing backlog)

**Continuous margin improvement**

thanks to progressive CLEA roll-out

**Olivetti-TIM Group partnership**

as enabler to further growth both on edge computing and CLEA

**Quality M&A**

to accelerate growth and value creation for shareholders



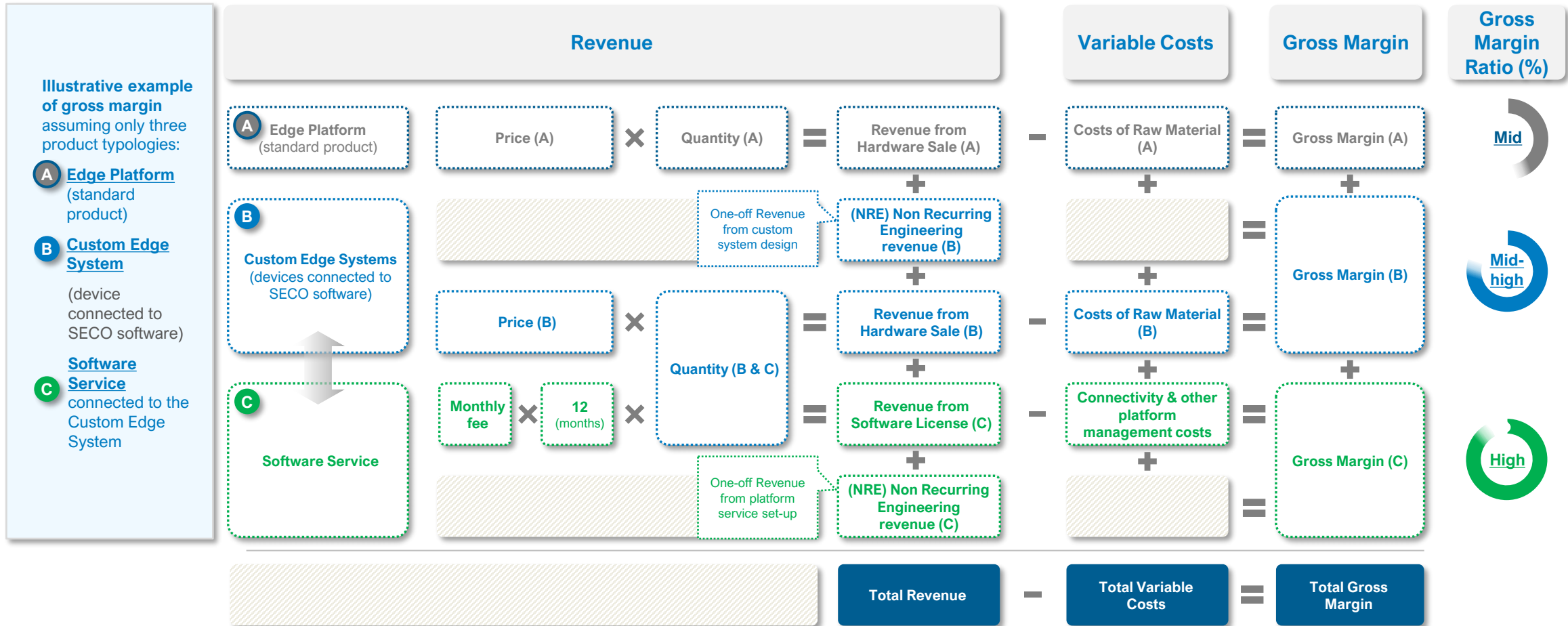
**We expect a solid growth path to further accelerate in 2021, both in revenue and profitability terms**



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Annex

# REVENUE AND COST MODEL



Note: all other costs (service, personnel, other) are mostly fixed costs



# BUSINESS MODEL

High revenue visibility



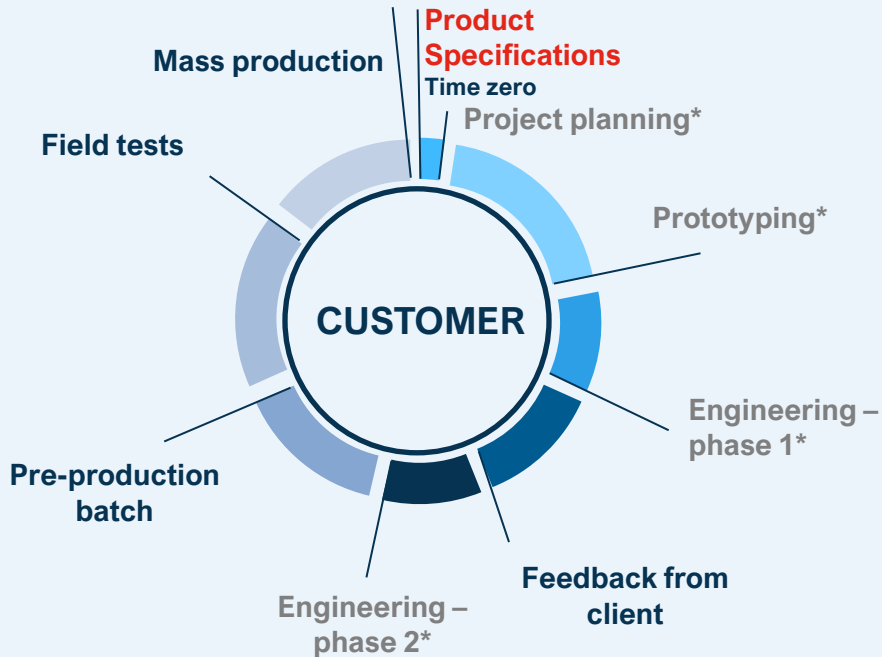
Multi-year product life cycle (3-5, up to 10+ years)

Order backlog coverage ~3-4 months

Forecasts from customers up to 12 months rolling

Recent design wins will translate into revenue after 5/18 months depending on products' typology

Product development & production process overview



Time to revenue

Standard Products  
5-7 months

Custom Products  
12-18 months

\*Those production steps only refer to custom products



- **High success developing custom products** along with clients thanks to a rigorous planning of activities
- **Continuous interaction with clients** from design to manufacturing
- **Dedicated software services tailored on clients' needs** fully entrenched within product development and production process

# FINANCIALS OVERVIEW

## Income Statement

€mln	Q1 2020	Q1 2021
<b>Net Sales</b>	<b>18.3</b>	<b>19.4</b>
Consumption Costs	(9.3)	(9.6)
<b>Gross Margin</b>	<b>9.0</b>	<b>9.8</b>
<i>% on Net Sales</i>	49.1%	50.6%
Other revenues	0.1	0.8
Personnel costs	(3.9)	(4.4)
Other Opex	(2.1)	(2.0)
Exchange gains/losses	-	0.2
<b>EBITDA</b>	<b>3.1</b>	<b>4.5</b>
<i>% on Net Sales</i>	16.9%	23.3%
Depreciation	(1.0)	(1.4)
<b>EBIT</b>	<b>2.0</b>	<b>3.1</b>
<i>% on Net Sales</i>	11.2%	14.7%
Financial expenses	(0.1)	(0.1)
Tax	(0.5)	(0.8)
<b>Net Income</b>	<b>1.4</b>	<b>2.2</b>
<i>% on Net Sales</i>	7.8%	11.4%
Non recurring items	0.2	0.1
<b>EBITDA ADJ</b>	<b>3.3</b>	<b>4.4</b>
<i>% on Net Sales</i>	18.0%	23.7%

## Balance Sheet

€mln	Q4 2020	Q1 2021
Net Working Capital	35.9	38.9
Total Fixed Assets	35.5	32.8
Other non-current assets	1.1	1.5
Provisions and other non-current liabilities	(3.7)	(3.8)
<b>Net Invested Capital</b>	<b>68.8</b>	<b>69.3</b>
Net Financial Position	17.8	18.9
Total Equity	51.0	50.4
<b>Total Funds</b>	<b>68.8</b>	<b>69.3</b>



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# About SECO

# ABOUT US

## VISION AND MISSION

WHY

### Vision

We exist to open up the world to innovation

HOW

### Mission

We bring together technologies and skills to answer new needs and opportunities

WHAT

### Promise

End-to-end technologies that transform possibilities into concrete innovation

### Values

Passion  
Dynamism  
Respect

### ESTABLISHMENT

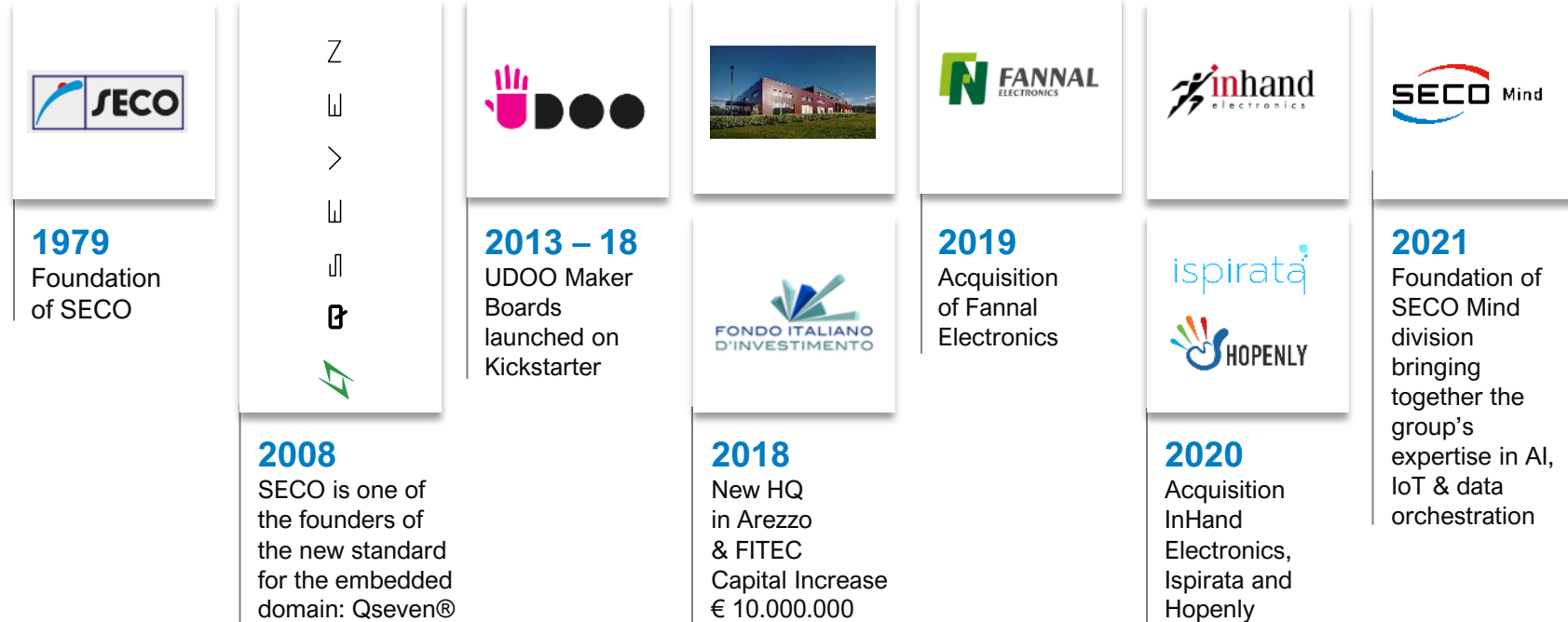
- Leader in embedded products
- First mover & cutting-edge technologies' adopter
- Scale-up of manufacturing capabilities

### DEVELOPMENT

- Implementation of customized embedded systems
- Internationalization
- Further expansion in multiple verticals

### SECO 3.0

- Leader in custom Edge Computing & IoT products & solutions
- Flexible and scalable business model
- Managerialization and M&A campaign



# ABOUT US

## INTERNATIONAL PRESENCE



Commercial presence

Direct Presence



R&D



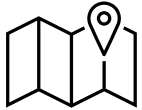
Production



450+  
People



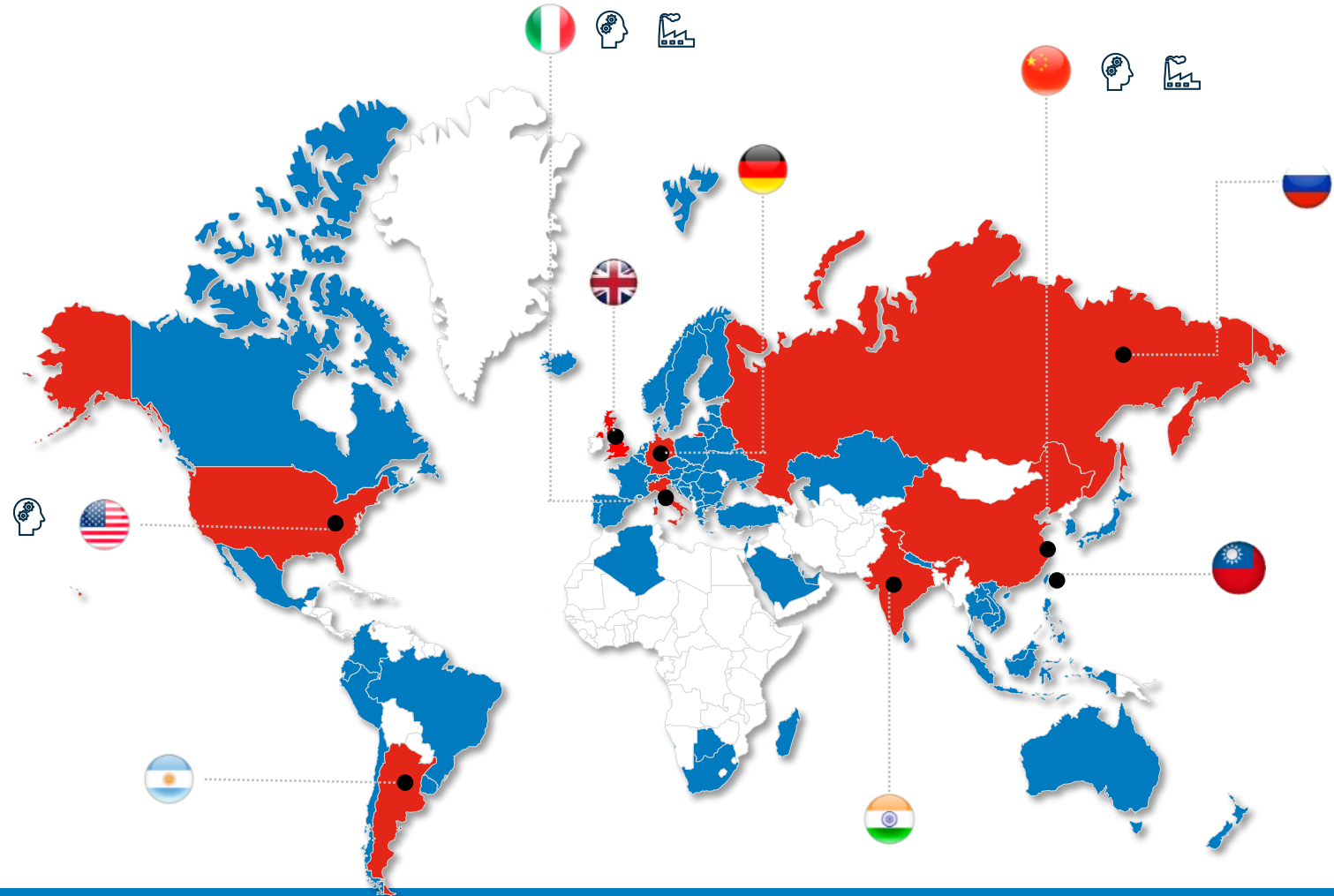
Global  
Commercial  
Presence



Direct Presence in  
9 countries



Worldwide  
Distribution



# WHAT WE DO

We remove technological complexity to our clients, allowing them to focus on their own core business



## R&D COMPETENCES HARDWARE / SOFTWARE / SYSTEM INTEGRATION

### **Integrated systems, boards, modules, HMI's for Edge Computing**

Putting intelligence in things and enabling human-machine interaction

Enhanced edge computing capabilities into our customers' products



## IOT / DATA SCIENCE / ARTIFICIAL INTELLIGENCE / DATA ORCHESTRATION

### **Software services and platforms**

Extracting data, bringing them to the cloud. Transforming them in highly-valuable, real-time information through data orchestration and data analytics

End-to-End suite enabling our customers' data-driven decision making



## RESEARCH, EDUCATION & PARTNERSHIPS

### **Advanced research**

Innovative start-ups screening, collaborations with universities

A multi-disciplinary environment fostering new ideas for the next generation of innovation

# WHAT WE DO

## R&D COMPETENCES

### Experience in developing products leveraging the most innovative platforms from leading Technology Providers

SECO cooperates in a co-design approach with the most important technology players, adopting new technologies for edge computing



### Effective Cooperation with Leading Chip Makers to Obtain Early Access to New Technologies

#### EARLY ACCESS PROGRAM (“EAP”) Selection Process & Timetable



Chip vendor uncovers new technology to selected Partners, calling for product proposals



Partners are selected for EAP based on capability to manage state of the art technology



Solutions from partners are the primary go to market strategy being available at mass market launch



# WHAT WE DO

END-TO-END IOT OFFERING CREATING HIGH VALUE FOR OUR CUSTOMERS



## Edge Computing

## Full Intelligence of Things Architecture



### Embedded Boards

Off-the shelf and custom modules and SBCs



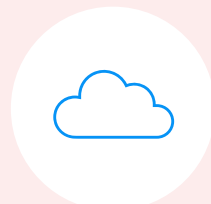
### Systems

Off-the shelf and custom modular HMI and Boxed Solutions (hardware & software)



### From Edge to AI Service

Easy Edge Hardware + AI Suite



### Cloud

Data transfer on the Cloud



### Data

Data orchestration



### Artificial Intelligence

Real time analytics



### Output in Real Time

Continuous support for customers' business



### Off-the-shelf Products

#### Single Board Computers & Modules



#### Boxed solutions, HMI's & Gateways



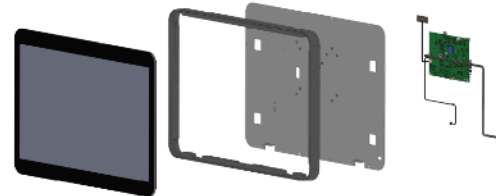
Full offering of single boards, modules, boxes and gateways with design compliant to the most widely used standards

### Semi-custom Edge Systems

#### Custom carrier boards + modular solutions



#### Modular HMI's



Semi-custom products are based on a combination of standard embedded products and tailored accessories or electronics developed for the specific application

### Full Custom Edge Systems



From the design (with intellectual property) to the engineering and manufacturing of the whole system based on customer's needs

# WHAT WE DO

## OFF-THE-SHELF PRODUCTS

### PRODUCT LINES

#### SBCs

eNUC



Pico-ITX



3.5"



#### Modular Solutions

Qseven



uQseven



SMARC



COM Exp.



COM HPC



ETX



#### Systems

HMI



Boxed Sol.



Gateways



### KEY FEATURES

- **Ready-to-use products** with **minimal time to market**
- **Long-term availability**
- Design to be operated in **harsh environments**
- Support **popular industrial I/O interfaces** not available in consumer PCs

- **Ready-to-use products** with **reduced time to market**
- **Large room for system upgrade** with no redesign efforts
- **High flexibility in terms of applications**

- **Ready to use for digital signage**, industrial control and IoT applications
- Wide wired and **wireless connectivity options**

### STANDARDS



embedded NUC™



# WHAT WE DO

## SEMI-CUSTOM EDGE SYSTEMS

### PRODUCT LINES

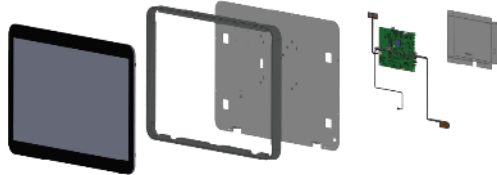
#### Custom carrier boards + modular solutions



### KEY FEATURES

- **SECO designs, or co-designs with end customers**, application-specific carrier boards for standard module hosting
- **Improved balance between time to market and cost effectiveness** with respect to standard solutions
- **Tight integration**, both on hardware and software perspectives and certification support
- **Reduced total cost of ownership** with SECO taking care of prototyping, industrial engineering, production and post sales services

#### Modular HMIs



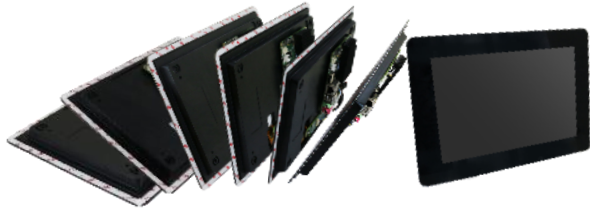
- **Higher fit** with the application
- **Balance between full-custom cost optimization and standard product development**

# WHAT WE DO

## FULL CUSTOM EDGE SYSTEMS

### PRODUCT LINES

#### Integrated Systems



- Display / HMI-based technologies + tailor made OS, application SW and IoT stack
- Customized TFT display and touch screen
- Integrated system including full custom electronics

### KEY FEATURES

**Entirely custom design, providing the highest cost efficiency, integration level and fit with respect to the specific application**

#### Co-design by SECO and client

- Close cooperation between SECO's R&D and client's Operations

#### Fully fledged product design

- Hardware/Software, BIOS, engineering & development

#### In-house manufacturing process

- In-house manufacturing to supervise every production step
- Client's software or specific components may be adapted and installed into the system

#### Top quality finished products

- Continuous feedback with the customer

# WHAT WE DO

FROM EDGE TO AI COMBINING HARDWARE AND AI SUITE



Clea is a software platform combining software, AI, Edge and Cloud computing turning field data into actionable and measurable insights within a single, one-stop solution that comes with natively integrated hardware.

**VENDING** Market Applications



**FITNESS** Market Applications

**COFFEE** Market Applications



**MEDICAL** Market Applications

# WHAT WE DO

FROM EDGE TO AI COMBINING HARDWARE AND AI SUITE



**WHO** | For OEM and professional developers who want to quickly deploy an IoT solution from PoC to Production.

**HOW** | Both ready to use and easily customizable service for applications ranging from small projects to large Enterprise solutions.



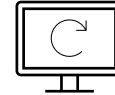
## Development of Modular Solutions

Ensuring complete integration with existing infrastructures



## Fleet Manager and Device Manager

IT managers can control the whole device fleet while SECO Team manages the devices' hardware



## Secure FOTA (Firmware Over The Air)

Remotely update the devices' firmware and install new features

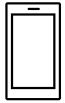


## Device Status

Check the status of all the connected devices (online/offline, size of free storage memory, id info, connectivity info)

# WHAT WE DO

## FROM EDGE TO AI COMBINING HARDWARE AND AI SUITE



### Data Visualization Front-end and Apps

SECO can develop mobile apps and front-end services specifically tailored for customers' own use



### Data Flow

Manage the data flow to move them from the hardware to the cloud



### Custom AI algorithms on the Edge & Cloud

Data Analytics allows to develop AI Algorithms that adding significant value for clients in terms of ROI



### Data Analytics, Telemetry and Data Orchestration

All the data coming the fleet are always under control, and can be easily sorted, clustered, downloaded and visualized



### All-in-One IoT Platform

Allowing customers to be IoT-ready through cloud connected hardware, software, devices manager, IoT apps



### Geolocation

Detect devices' geographic location in a map with great accuracy. Data can be sent via cell-ID + Wi-Fi or GPS



### Logs Reading

A useful feature to debug and retrieve low-level analysis



### Mobile, Wi-Fi and Bluetooth Connectivity Manager

A BLE Mobile App that allows clients to manage Wi-Fi and SIM/eSIM Connectivity



*“All together we can look with confidence to the future: at SECO, we build it every day”*

Daniele Conti and Massimo Mauri, SECO President and CEO



### Startups & Professionals

We amplify the power of innovative solutions through **commercial partnerships, equity investments, acquisitions**



### Companies

We find innovative solutions to innovation needs through **Open Innovation contracts**



### Incubators / Accelerators / VC

We build relationships to support startups in finding business opportunities through the **creation of partnerships**



### Universities, Research Centers, Scientific Foundations

We finance research and promote the application of academic research to business through **scholarships and internships**

# HOW WE DO IT

## KEY COMPETENCES IN MULTIPLE APPLICATION DOMAINS

**Infotainment & Entertainment**  
| 10+ yr. experience



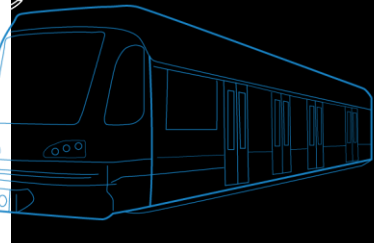
**Medical**  
| 20+ yr. experience



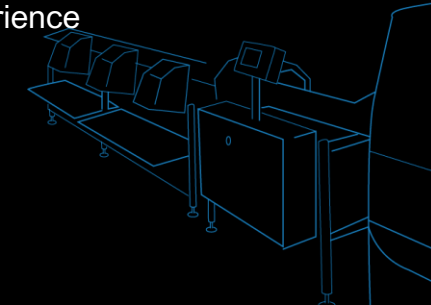
**Aerospace & Defence**  
| 5+ yr. experience



**Transportation**  
| 10+ yr. experience



**Industrial Automation**  
| 5+ yr. experience




**Wellness**  
| 20+ yr. experience



**Vending & Retail**  
| 5+ yr. experience



**Power/Utilities**  
**Digital Signage**  
**Infotainment**  
**Security & Surveillance**  
**Test & Measurement**



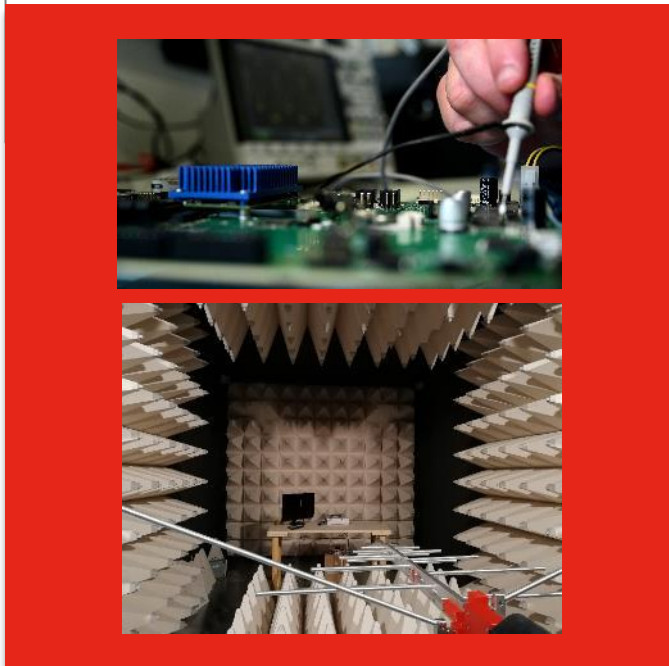
**Complexity Reduction | Full customization and support at HW & SW level |  
Support for Product Certification, Validation & Verification**

# HOW WE DO IT

## RELIABLE PRODUCTS AND PROCESSES

### PCB Design & Hardware Validation Department

In house EMC/ESD verification equipment and skills for improved designs and quick certification | Proprietary anechoic chamber



Year	Country	Standard	Client	Value
2015	USA	ISO 14001	General	\$10M
2015	USA	ISO 9001	General	\$10M
2015	USA	ISO 13485	Medical	\$10M
2015	USA	ISO 27001	IT	\$10M
2015	USA	AS9100	Aerospace	\$10M
2015	USA	ISO 14001	General	\$10M
2015	USA	ISO 9001	General	\$10M
2015	USA	ISO 13485	Medical	\$10M
2015	USA	ISO 27001	IT	\$10M
2015	USA	AS9100	Aerospace	\$10M
2015	USA	ISO 14001	General	\$10M
2015	USA	ISO 9001	General	\$10M
2015	USA	ISO 13485	Medical	\$10M
2015	USA	ISO 27001	IT	\$10M
2015	USA	AS9100	Aerospace	\$10M

**IP**  
From multi touch HMI to frame fitting control system

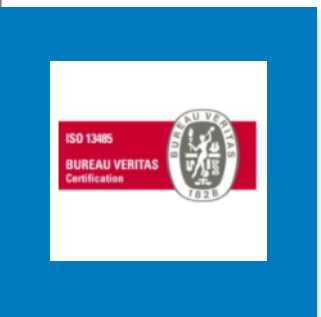
**Environment**  
ISO 14001:2015



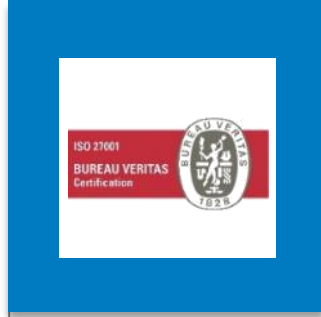
**Quality management**  
ISO 9001:2015



**Medical**  
ISO 13485:2016



**Information security**  
ISO 27001:2015



**Aerospace & Defense**

# HOW WE DO IT

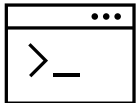
ENABLING OUR CUSTOMERS TO CUT DEVELOPMENT COSTS AND TIME TO MARKET



High success **developing custom products** along with customers thanks to a rigorous planning of activities

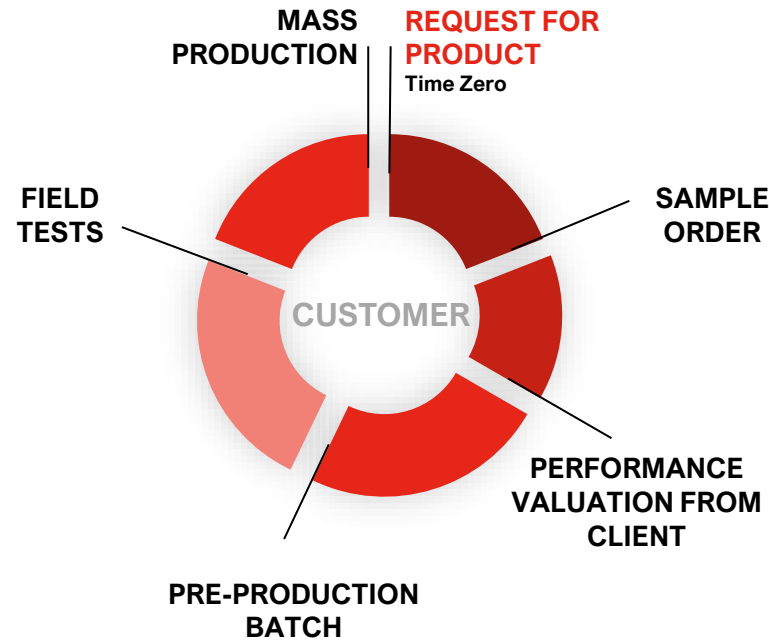


**Continuous interaction** with customers from design to manufacturing

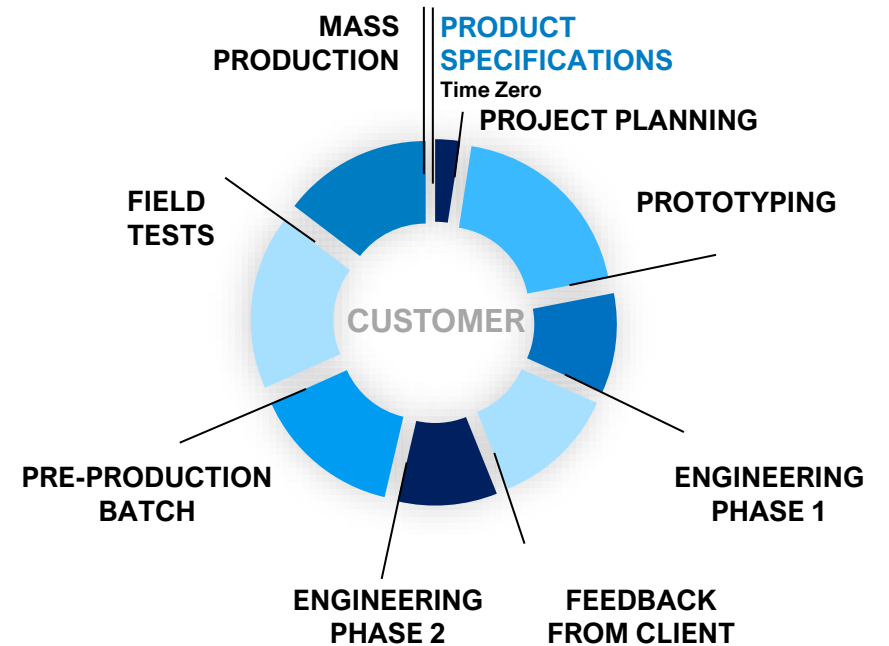


**Dedicated software services** tailored on customers' needs fully entrenched within product development and production process

Products based on **off-the-shelf solutions**  
~ 5-7 months



Products based on **custom solutions**  
~ 12-18 months



# HOW WE DO IT

## FLEXIBLE PRODUCTION PROCESS

**MAKE TO ORDER**  
**1 MONTH**



**PURCHASE TO ORDER**  
**8-12 WK.**



**ASSEMBLE TO ORDER**  
**1 WK.**

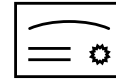
BUFFER STOCK | VENDOR MANAGEMENT INVENTORY | CONSIGNMENT STOCK

**MAKE TO STOCK**  
**48 HOURS**

CALL OFF



# HOW WE DO IT CORPORATE SOCIAL RESPONSIBILITY | 2020 MAIN ACTIVITIES



3

**New certifications obtained in 2020**  
ISO:13485, ISO:14001, ISO:27001



5

**New products for Biomedical & Wellness applications**  
20+ new products overall in 2020



13

**Suppliers certified according to ESG criteria**  
Certification process started in 2020



100%

**Share of electricity from renewable sources**  
New agreement signed with energy supplier for Arezzo and Tregozzano plants



300+

**Aluminum bottles distributed to employees**  
to minimize the use of plastic



Endless ways to the future

Thank you  
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